

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS LAGOS 001279

SIPDIS

E.O. 12958: N/A

TAGS: [ELTN](#) [ECON](#) [NI](#)

SUBJECT: REVIVING THE NIGERIAN RAILWAY SYSTEM

1. (U) Summary: Odu'a Investment and Lemna Incorporated, a U.S. firm, recently signed a memorandum of understanding (MOU) to build a \$361 million light rail system. Opponents have charged that the MOU violates the Nigerian Railway Corporation (NRC) Act 1955. Its proponents seek to amend the law to ensure private development of the rail system, given the moribund condition of the state-owned NRC. Should the law be amended, rail transport could attract huge investments, as did the telecoms sector. End summary.

Odu'a and Lemna Inc. Sign Memorandum of Understanding

2. (U) Odu'a Investment, a Nigerian conglomerate owned by the five southwestern states, recently signed a project memorandum of understanding (MOU) with Lemna Incorporated, an American firm. The project aims to restore rail transportation between Lagos and Ibadan by 2006, at a cost of \$361 million (N48.7 billion). According to Remi Omotosho of Odu'a, during peak hours the 'Lifeway light rail' project could move 36,000 passengers an hour both ways, following establishment of connections at Abeokuta and Sagamu, both in Ogun State.

Exclusive Legislation Invalidates MOU

3. (U) The Odu'a-Lemna MOU endorsed by the governments of Lagos, Oyo and Ogun States, is being contested. Its opponents charge that it is invalidated by the Nigerian Railway Corporation (NRC) Act of 1955, which restricts the construction or extension of railway lines to the state-owned NRC. The Act vests authority 'for observance of specific and uniform standards in the operation of railways' in the NRC, and has been the source of the Corporation's monopoly status. A provision of the Act nevertheless permits the Transport Minister to give consent to 'persons other than the Corporation to construct or operate a railway within Nigeria'. This provision was basis of the ongoing construction of the Ovwian/Aladja-Ajaokuta railway at the Ajaokuta Steel complex.

Stakeholders Resolve to Review the Act

4. (U) Omotosho claims that the process of amending or repealing the law will begin in July following a stakeholders' conference. Whether such action will occur is arguable. A. Abubakar, NRC Managing Director, suggested it may not since, he said, Odu'a had not consulted the Corporation before the MOU was signed or officially sought the Ministry of Transport's consent. According to Abubakar, the NRC has forwarded a bill to Obasanjo to create a Nigerian Railway Commission in order to regulate the rail transport sub-sector. He said the bill, which may be sent to the National Assembly soon, would, if enacted, lay the groundwork for an imitation of the GON's feat in the telecoms sector, as private operators would provide the bulk of rail transportation.

Comment

5. (U) The time is right for the NRC's monopoly to be broken, given its moribund state. The Corporation has less than 4,000 km of narrow gauge tracks and a large fleet of obsolete engines and haulage carriages. The NRC's upgrade would require billions of dollars to be fully operational, making it unattractive to prospective investors. But the GON's political will to privatize the railway sub-sector may have weakened, given the failure of Chinese and Indian management teams at the NRC to turn the corporation around. The Canadian Consultancy that replaced them does not appear to have had more success. Besides, much of Nigeria's freight is transported by trucks and trailers, some of which are owned by political allies of the ruling political party; these transporters can be expected to

oppose anything that might mean losing market share to an efficient rail system. The light rail project might nonetheless be the best means to turn the sector around were the NRC to become a regulator. In that event, rail transport could attract huge investments, as did the telecoms sector these last three years. End comment.

KRAMER